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An Authorized Insurer.

[illegible]

CONSENT ORDER IMPOSING A FINE

1. Clarendon National Insurance Company ("Clarendon") is an insurance company authorized to engage in the business of insurance in Washington by the Washington State Office of Insurance Commissioner ("OIC") pursuant to a certificate of authority issued by the OIC.
2. On May 24, 2004, OIC received four insurance scoring model filings from Clarendon, three for personal automobile and one for homeowners. Clarendon acknowledged in follow-up telephone conversations and correspondence that Clarendon had been using credit scoring in its personal automobile and homeowners lines of business since August, 2001.
3. Since August 2001, Clarendon has given a ten percent discount to risks that qualified for its "ultra-preferred" auto program. Clarendon's filed manual of rates and rules then in effect did not disclose the amount of this discount and contained no information on how a risk qualified as ultra-preferred.
4. A credit score was obtained by Clarendon and included as one factor in an insurance score for new auto business that determined whether a new customer was eligible for the 10% discount, although a review of these insurance scores by Clarendon revealed no instance in which the credit component of a customer's score caused a customer to pay more than the customer would have paid if credit had not been included.

5. A credit score was obtained by Clarendon and included as one factor in an insurance score used to underwrite homeowners coverage. Credit history was not used to rate Clarendon homeowners policies and was not used to cancel or nonrenew either Clarendon's homeowners or personal auto line of business.
6. Clarendon also acknowledged that after January 1, 2003, the effective date of RCW 48.18.545(2), Clarendon did not send adverse action notices to applicants who were refused homeowners coverage because of their insurance scores.
7. On December 29, 2004, Clarendon ceased including credit history as a factor in insurance scores for its personal automobile line of business, and Clarendon withdrew its automobile insurance scoring model filing in January 2005.
8. Clarendon continued using credit scoring in its homeowner's line of business and obtained OIC approval, effective December 27, 2004, of an amended insurance scoring model filing for its homeowners line of business.
9. Between January 1, 2003, and December 27, 2004, the effective date of OIC's approval of Clarendon's insurance scoring model for homeowners insurance, Clarendon issued and renewed 835 homeowners policies for which an unapproved insurance scoring model had been used.

CONCLUSIONS OF LAW

1. Pursuant to RCW 48.19.040, insurers are required to file before using every classifications manual, manual of rules and rates, rating plan, rating schedule, minimum rate, class rate, and rating rule, and every modification of such that they propose.
2. Pursuant to RCW 48.18.545(8), the underwriting provisions of the credit scoring legislation apply to all personal insurance policies issued or renewed after January 1, 2003.
3. Pursuant to RCW 48.19.035(6), the rating provisions of the credit scoring legislation apply to all personal insurance policies issued or renewed on or after June 30, 2003.
4. Pursuant to WAC 284-24A-051(2), rates, risk classification plans, rating factors and rating plans that use an insurance scoring model to determine personal insurance rates or premiums were required to be filed and approved for use on or before June 30, 2003.

5. Pursuant to RCW 48.18.545(2), since January 1, 2003, any insurer taking adverse action against a consumer based in whole or in part on credit history or insurance score has been required to provide written notice to the applicant or insured stating the significant factors of the credit history or insurance score that resulted in the adverse action and advising the consumer of the right to a free copy of the consumer report under the Fair Credit Reporting Act.
6. Clarendon's use for over three years of an unfiled rating rule to rate personal automobile insurance violated RCW 48.19.040.
7. By issuing and renewing policies utilizing an unapproved insurance scoring model between January 1, 2003, and December 27, 2004, Clarendon violated RCW 48.18.545 and WAC 284-24A-015(1).
8. By failing to send adverse action notices after January 1, 2003, to consumers who were adversely affected by Clarendon's use of the consumers' credit histories, Clarendon committed multiple violations of RCW 48.18.545.
9. By using an insurance score for its personal automobile line of business after June 30, 2003, Clarendon violated RCW 48.19.035 and WAC 284-24A-015(2),
10. RCW 48.05.185 authorizes the Commissioner to impose a fine in lieu of or in addition to the suspension or revocation of an insurer's certificate of authority.

CONSENT TO ORDER

NOW, THEREFORE, Clarendon consents to the following in consideration of its desire to resolve this matter without further administrative or judicial proceedings, and the Insurance Commissioner consents to settle the matter in consideration of Clarendon's payment of a fine as set forth below.

1. Clarendon consents to entry of this Order, acknowledges its duty to comply fully with the applicable laws of the State of Washington, and waives further administrative or judicial challenge to the OIC's actions related to the subject matter of this Order.
2. By agreement of the parties, the OIC will impose a fine of \$201,730 upon the Company and suspend \$101,730 of that fine on condition that Clarendon commit no further violations of Washington's insurance scoring legislation and rules for a period of two years.

3. Failure to pay the fine set forth in paragraph two shall constitute grounds for the revocation of Clarendon's certificate of authority and for the recovery of the full fine.

Executed this 1 day of February, 2006.

CLARENDON NATIONAL
INSURANCE COMPANY

By: _____

Gerhard Ketchel

Printed Name

SVP - Secretary

Printed Corporate Title

ORDER

NOW, THEREFORE, pursuant to the foregoing Findings of Fact, Conclusions of Law, and Consent to Order, the Insurance Commissioner hereby orders as follows:

1. Pursuant to RCW 48.05.185, the Insurance Commissioner hereby imposes a fine of \$201,730 upon Clarendon National Insurance Company, of which amount \$101,730 is suspended on condition that for two years from the date of entry of this order, Clarendon commit no further violations of Washington's insurance scoring legislation and rules.
2. Clarendon's failure to pay the \$100,000 portion of the fine within thirty days of the entry of this order set shall result in the revocation of Clarendon's Certificate of Authority and in the recovery of the total fine amount through a civil action brought on behalf of the Insurance Commissioner by the Attorney General of the State of Washington.

ENTERED AT TUMWATER, WASHINGTON, this 2nd day of February, 2006.

MIKE KREIDLER
Insurance Commissioner

By: _____

Charles D. Brown

CHARLES D. BROWN
OIC Staff Attorney
Legal Affairs Division